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## **Ecuador**

## **SUGAR ANNUAL**

## **2009 Ecuador Sugar Annual Report**

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**Report Highlights:**

Ecuador's sugar production will increase in 2010 by 10% to 559,000 MT (RSV). This is due mainly to favorable weather conditions in the coastal region of Ecuador. Ecuador will maintain its current import and export levels of refined sugars. It is expected that Ecuadorian exports of raw sugar to the U.S. will continue.

**Executive Summary:**

Cane sugar production for Marketing Year 2010 (June 2009/May 2010) will increase by approximately 10% due to favorable weather conditions in the main production areas. Production for MY 2010 is forecast at 540,000 MT Raw sugar value. Consumption of sugar in Ecuador remains stable on a per capita basis.

Ecuador has increased its imports of refined sugars slightly. Exports of white sugar to Peru also have restarted in MY 2009. Sugar mills produce raw sugar only as necessary to fill the U.S.

Sugar TRQ, and it is usually the first sugar out after the harvest starts in June or July (depending on weather). After that, mills produce white sugar for local consumption.

### **Commodities:**

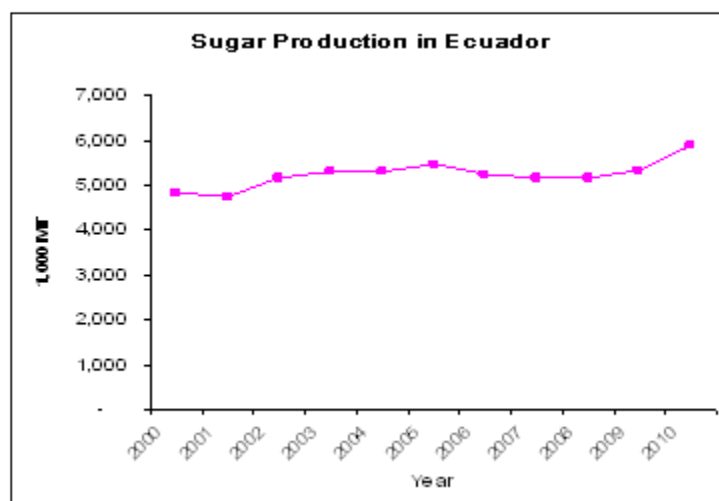
Sugar Cane for Centrifugal

### **Production:**

For the upcoming MY 2010, sugar production is expected to increase by approximately 10% to 559,000 MT (RSV). The reason for this increase in production is that aggregate demand is increasing and good weather conditions have favored higher yields. It is still possible, however, that increased rainfalls during the first few months of CY 2009 will reduce sucrose content, thus lowering the productivity of the sugar cane.

Approximately 90% of sugar cane production takes place in the coastal region of Ecuador, in the provinces of Los Ríos and Guayas with normal quarterly rainfalls of 35-40 inches. This year's rainfalls have ranged between 50 to 70 inches in the months of January, February and March. These production areas are low but usually not threatened by floods. However, this year's abnormal weather conditions have affected most sugar production areas.

The wholesale of a 50-kilo bag has increased from an average of \$26.5 in 2007 to \$29 in 2008, showing a 9% increase over that period. According to the industry, this price adjustment was necessary to compensate several years of low prices, and to make up for increased production costs (\$25 per 50 kilo bag). The current price in the mill is stable at \$26.5 per bag, and the current retail price is set at \$0.69 per kilo or \$34.5 per 50-kg bag.

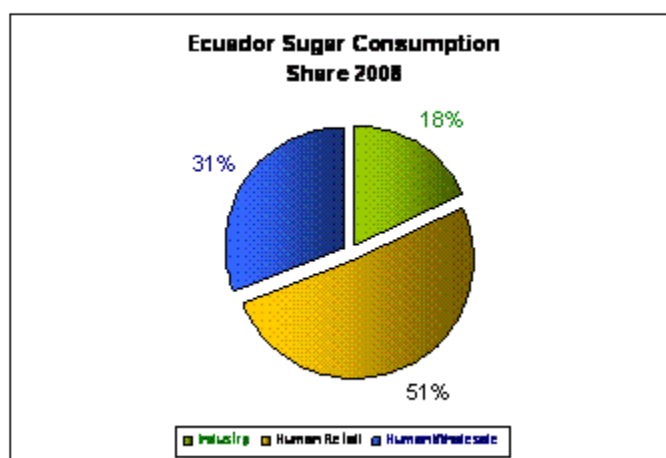


### **Consumption:**

Domestic cane sugar consumption, including sugar for industrial purposes, is currently placed at 514,000 MT RSV. For the upcoming MY 2009, there will be a small increase to 522,000 MT RSV, mainly due to an increase in local demand.

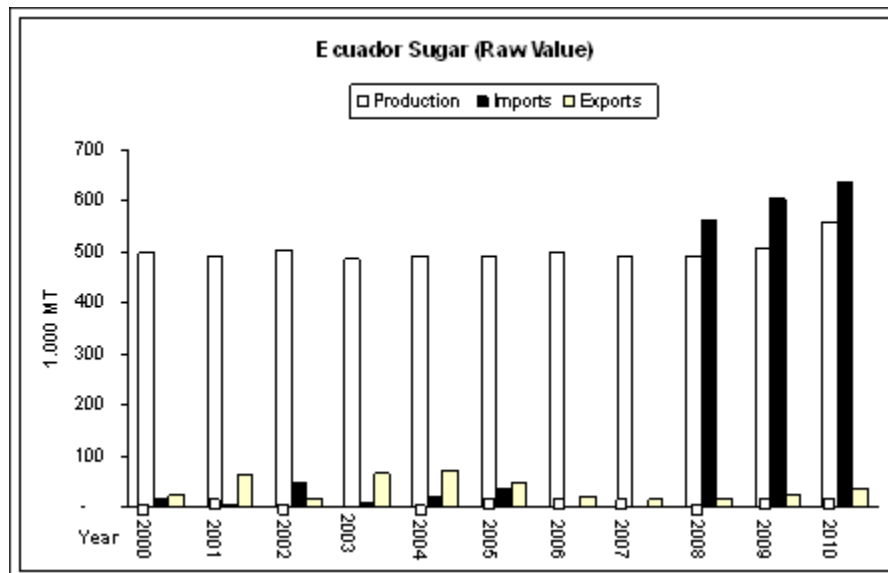
There is a trend towards use of high quality refined sugars for production of soft drinks, juices and other drinks. Sugar mills are aware of this market niche for specialty sugars, and are currently producing these products for the local industry. Therefore the industry is showing a tendency towards consuming local sugar rather than importing. However, the current political and economic situation of Ecuador has slowed additional investments and production by most industries, including the beverage and confectionery industries.

Approximately 82% of Ecuador's sugar consumption is for human use in the form of white, brown or specialty sugars, and the remaining 18 percent corresponds to industrial utilization. Modernization of the retail sector followed by changes in consumer preferences, as well as space limitations in Ecuadorian homes has shifted demand towards smaller, lighter packages of sugar for direct human consumption. Today, retailers make approximately 38 percent of sugar sales in smaller bags of 1, 2, 5 or 10 kilos. The remaining 62 percent of sugar for direct human consumption is marketed through wholesalers in 50-Kg bags.



### Trade:

In the past year, Ecuador has allowed for reduced imports of refined sugars. This development discontinued a recent trend starting in 2006 when imports were marginal. This trend towards reduced imports was identified in 2006, when local mills started producing more refined sugars for industrial use. Until 2005, Ecuador imported important quantities of INCUMSA 45 sugar for beverage industries, and white refined sugars for candy and chocolate industries from Colombia.



In addition, exports are limited to raw sugar being shipped to the United States under the Sugar TRQ, and smaller quantities to Peru. Total sugar exports for MY 2008 reached 26,400 MT RSV. For the upcoming MY 2010, Ecuador exports are forecast at 35,000 MT RSV, basically of raw sugar. Favorable weather conditions, a more stable macroeconomic situation and sustained consumption are the main factors behind this forecast.

### Policy:

Sugar is considered by the Government of Ecuador to be a staple and is used as one of several commodities used for the calculation of inflation indexes. Because of its social significance, sugar prices have been stable for the past few years. In the past year, the government has intervened to fix the price of sugar. However, there is no evidence that the official price is observed. Generally, the price of sugar responds to supply and demand forces.

The Government of Ecuador allows duty-free imports from fellow Community of Andean Nations (CAN) countries. Imports originating in countries other than CAN are assessed a 15 percent base tariff, and a variable "price band" levy. The variable levy for white sugar (17019900) at the time of writing is assessed at 0 percent and the current final tariff for sugar is 15%. Sugar imports have a WTO-approved bound tariff of 45%, which includes any price band-related duties.

Although sugar has been part of MERCOSUR negotiations, Ecuador has excluded raw and white sugar from the 15-year tariff liberalization process that started in April 2005. In turn, there is a special clause by which sugar could start a 15-year liberalization process only if and when Ecuador agrees to do so with each of its MERCOSUR partners. Even after tariff liberalization, sugar imports shall continue to pay the variable levy under the price band. To date, Ecuador and its MERCOSUR partners have not initiated negotiations on sugar.

As an alternative to fuels from oil origin, Ecuador's sugar mills and the Ministry of Agriculture are proposing a project to produce ethanol from sugar cane to mix with gasoline and distribute for automotive use. This project proposal has the intention of reducing pollution in cities like Quito and Guayaquil. The project would entail additional 50,000-70,000 Ha of sugar cane to produce 70,000 liters of ethanol per day, which in Ecuador is

mainly produced from molasses. There is not a final decision on how to implement the project, so results are not expected in the short term.

Sugar farmers and millers do not participate of any export subsidies. However, farmers can get loans from Ecuadorian development bank with preferential interest rates to purchase plant seedlings and machinery.

### Production, Supply and Demand Data Statistics:

### PSD TABLE

### ECUADOR

### SUGAR CANE, FOR CENTRIFUGAL

Sugar Cane for Centrifugal Ecuador	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jun 2007			Market Year Begin: Jun 2008			Market Year Begin: Jun 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	75	75	0	75	75	77			85
Area Harvested	69	69	0	60	60	71			78
Production	5,175	5,175	0	4,500	4,500	5,340			5,880
Total Supply	5,175	5,175	0	4,500	4,500	5,340			5,880
Utilization for Sugar	5,175	5,175	0	4,500	4,500	5,340			5,880
Utilizatn for Alcohol	0	0	0	0	0	0			0
Total Utilization	5,175	5,175	0	4,500	4,500	5,340			5,880
TS=TD			0			0			0

### PSD TABLE

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Sugar, Centrifugal Ecuador	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jun 2007			Market Year Begin: Jun 2008			Market Year Begin: Jun 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Beginning Stocks	71	71	71	78	78	78			64
Beet Sugar Production	0	0	0	0	0	0			0
Cane Sugar Production	492	492	492	427	427	508			559
Total Sugar Production	492	492	492	427	427	508			559
Raw Imports	0	0	0	0	0	0			0
Refined Imp.(Raw Val)	0	0	0	20	20	18			15
Total Imports	0	0	0	20	20	18			15
Total Supply	563	563	563	525	525	604			638
Raw Exports	15	15	15	12	12	26			35

Refined Exp.(Raw Val)	0	0	0	0	0	0			0
Total Exports	15	15	15	12	12	26			35
Human Dom. Consumption	470	470	470	467	467	514			522
Other Disappearance	0	0	0	0	0	0			0
Total Use	470	470	470	467	467	514			522
Ending Stocks	78	78	78	46	46	64			81
Total Distribution	563	563	563	525	525	604			638
TS=TD			0			0			0

## Prices Sugar

Country Ecuador

Wholesaler Prices				Retail Prices		
	\$ per kg			\$ per kg		
Year	2006	2007	2008	2006	2007	2008
Jan	0.46	0.56	0.55	0.62	0.67	0.67
Feb	0.47	0.56	0.55	0.62	0.67	0.67
Mar	0.49	0.56	0.56	0.63	0.67	0.67
Apri	0.50	0.56	0.56	0.63	0.67	0.67
May	0.53	0.56	0.56	0.62	0.67	0.67
Jun	0.54	0.56	0.56	0.60	0.67	0.67
Jul	0.55	0.56	0.59	0.65	0.67	0.70
Aug	0.53	0.56	0.60	0.59	0.67	0.72
Sep	0.54	0.56	0.59	0.60	0.67	0.71
Oct	0.54	0.56	0.58	0.60	0.68	0.72
Nov	0.54	0.56	0.58	0.62	0.67	0.71
Dec	0.56	0.56	0.58	0.63	0.68	0.72
Average	0.54	0.56	0.57	0.62	0.67	0.69